

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**Major Mailers Association's
Follow Up Interrogatories and Document Production Requests To
United States Postal Service Witness John P. Kelley (MMA/USPS-T30-29-30)
(August 2, 2006)**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to United States Postal Service Witness John P. Kelley (MMA/USPS-T30-29-30).

Respectfully submitted,

Major Mailers Association

By: _____

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**Dated: Middleburg, Virginia
August 2, 2006**

MMA/USPS-T30-29

Please refer to your response to Interrogatory MMA/USPS-T30-21. In your response to part (A) you claim that cost segment 6.1 costs for Automation letters increased by 3.6 % compared to a .5 % increase for single piece letters, as measured in the test years in R2005-1 and R2006-1. You also claim that within First-Class presorted letters, there was an average increase of 1.7 % and that "[t]he lower DPS percentage causes a higher proportion of First Class Presort letter costs being allocated to automation letters this year as opposed to last year."

- A. Please confirm that within First-Class presorted letters, the cost segment 6.1 increases for automation and nonautomation letters were 3.6% and ***minus*** 49.0 %, respectively. If you cannot confirm, please provide the increase/decrease for nonautomation letters, and show how you derived it.
- B. Please confirm that, in R2005-1, the DPS % for all nonautomation letters was 46.76%. If you cannot confirm, please provide the DPS % for nonautomation letters, and show how you derived it.
- C. Please confirm that, in R2006-1, you found the DPS % for nonautomation letters was 69.50 % ($77.22\% \times .90$). If you cannot confirm, please provide the DPS % for nonautomation letters in R2006-1, and show how you derived it.
- ~~D.~~ Please confirm that the nonautomation DPS % used in R2005-1 was based, in part, on 10-year old data that significantly understated the number of nonautomation letters that were machinable, as described in USPS witness Loetscher's response to MMA/USPS-T22-5 (C) and (D) (redirected from USPS witness Abdirahman). If you cannot confirm, please explain.
- E. Please confirm that delivery costs for First-Class automation letters did not increase by 3.1% as you imply, but that the 3.1% increase results because of a significant understatement in nonautomation delivery costs in R2005-1, which in turn was caused by using 10-year old data, which understated

the number of nonautomation letters that were machinable. If you cannot confirm, please explain.

MMA/USPS-T30-30

Please refer to your response to Interrogatory MMA/USPS-T30-27. You were given a simple example and you confirmed that letters for Category A cost 5 cents per originating letter but 8.3 cents to deliver, and letters for Category B cost 7 cents per originating letter but 7.8 cents to deliver. The reason why Category A cost less than Category B per originating piece was that only 60% of Category A's letters were delivered by carriers while 90% of Category B letters were delivered by carriers.

- A. In part (C) you were asked which letters, Category A or Category B, cost more to deliver. You answered that it costs more to deliver Category B "per originating letter", which was not the question. Then you added that you could not tell which costs more "in terms of total cost" because you do not know the originating volume of each category. That was not the question either. Given the example, does it cost the Postal Service more to deliver Category A or Category B letters? Please explain why your answer was not Category A simply because it costs 8.3 cents to deliver versus Category B, which costs 7.8 cents to deliver.
- B. Please confirm that, according to the unit costs ***per originating letter***, Category B letters cost more but that, according to the unit costs ***per delivered letter***, Category A letters cost more. If you cannot confirm, please explain.
- C. Please confirm that, under the hypothetical example given to you in Interrogatory MMA/USPS-T30-21, a comparison of the unit costs per ***originating*** letter did not correctly indicate which letter category costs more to ***deliver***. If you cannot confirm, please explain.
- D. In part (D) you were asked to explain in what "sense" the unit delivery costs ***per originating letter*** are comparable. You indicated that both are ratios of volume variable delivery costs (cost segments 6, 7, and 10) to

originating volume. Given that, under the example given to you, 40% of Category A letters ***are not delivered*** by city and rural carriers and, therefore, ***do not*** incur delivery costs while only 10% of Category B letters ***are not delivered and do not incur delivery costs***, in what sense are the ratios of volume variable delivery costs (cost segments 6, 7 and 10) to originating volumes meaningful?